

The Grand Union Company

Report to Stockholders

Fiscal Year Ended
March 1, 1941

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OFFICERS

J. SPENCER WEED	-	-	-	-	-	-	-	-	President
LANSING P. SHIELD	-	-	-	-	-	-	-	-	Vice-President
LOUIS C. WADMOND	-	-	-	-	-	-	-	-	Vice-President
SAMUEL WINOKUR	-	-	-	-	-	-	-	-	Secretary
THOMAS C. BUTLER	-	-	-	-	-	-	-	-	Treasurer

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DIRECTORS

PEMBERTON BERMAN

CAXTON BROWN

JOHN FOSTER DULLES

ARCHIBALD MACFARLANE

RAY MORRIS

LANSING P. SHIELD

J. SPENCER WEED

April 21, 1941

TO THE STOCKHOLDERS:

The consolidated financial statements for the fiscal year 1940 of The Grand Union Company are herewith submitted, together with certificate of the auditors.

Net profit for the year ended March 1, 1941, after all charges for taxes, depreciation, etc., amounted to \$581,124. Due to the change in our fiscal year which now ends on the Saturday nearest the last day of February, no comparable income figures are available for the same period of last year, but for the year ended December 30, 1939, net income was \$478,259. Retail sales for the fiscal year were \$35,065,463. compared with \$31,909,886. for the year ended March 2, 1940.

From December 8, 1939 (the date on which the Recapitalization Plan became effective) through March 1, 1941, there has been authorized for payment on dividend arrearages, over and above the amounts exchanged for capital stock, \$713,295. as follows:-

Dec. 8, 1939 — \$2. per share to old Preference Stockholders — 159,550 shares	— \$319,100.
Mar. 1, 1940 — \$1. on account each \$5.45 face amount dividend arrearage certificate	— 107,914.
June 1, 1940 — \$1. " " " " " " " " " "	— 102,322.
Sept. 1, 1940 — \$1. " " " " " " " " " "	— 103,602.
Dec. 8, 1940 — \$1. " " " " " " " " " "	— 80,357.
Total	\$713,295.

Earnings — December 8, 1939 through March 1, 1941 \$696,334.

From the foregoing it will be seen that payments on dividend arrearages exceeded earnings during the above period.

In addition, the Directors authorized a payment of 75¢ on each \$5.45 face amount of dividend arrearage certificates payable April 1, 1941, amounting to \$60,849. This leaves a balance of 70¢ on each \$5.45 face amount of the certificates, or a total of \$56,792. When this amount has been paid, the earnings of the company will be available for dividends on the new capital stock. The Board of Directors feels that payments made on dividend arrearages have been liberal and that future dividend payments should be made on a more conservative basis in relation to earnings with the object of building up a stronger cash position.

Our balance sheet shows cash of \$875,862. which at first glance, might seem to be sufficient for our business, but a major portion of this amount is required for balances in over 380 banks where we carry branch accounts. Were not satisfactory balances maintained in these banks, substantial service charges would result. Furthermore, increased sales and advancing costs require more capital and, as we look generally for further advances, still greater importance attaches to being in a strong cash position so that we can make advantageous purchases of merchandise as the opportunity arises.

In the year just ended there have been some favorable market conditions which have helped our showing, particularly in coffee, the sales of which in our wagon route business represent a large proportion of the total. Compared with the average prices last year, the coffee market today is very high, and this has an important bearing on the wagon route business in view of the serious sales resistance to higher retails.

In the grocery and meat division of our business, retail prices because of competitive conditions have failed to advance in line with market costs, and in addition it is the apparent attitude of the industry, which we share, to cooperate with the government's policy of keeping retail prices from rising unduly. These, with higher labor costs and increasing taxes, are the problems that are facing us this coming year. On the favorable side, however, sales are currently running approximately 12% ahead of last year and we are hopeful of a satisfactory showing in 1941.

During the past year it has been necessary to move two of our grocery warehouses. We moved from our New York City warehouse to Carlstadt, New Jersey, where we had a new plant built for us at a rental considerably lower than we were paying in New York. On account of the sale of the property we were forced to move from our Albany, New York warehouse and leased a new warehouse erected for us at Waterford, New York. We are being forced to move from our Binghamton, New York warehouse which is being taken for defense manufacturing purposes, but we have been able to make a reasonably satisfactory short term lease on a building in Waverly, New York. Moving plants as large as these is initially expensive, but in the long run will prove to be economical, and the expenses which these moves entail are non-recurring. In addition to these moves, our headquarters office will move on the first of May to 50 Church Street, New York City.

Again this year, it is our pleasure to express appreciation for the loyal cooperation of our entire personnel.

J. SPENCER WEED,
President.

THE GRAND UNION COMPANY
(A DELAWARE CORPORATION)
AND ITS SUBSIDIARIES
CONSOLIDATED
At March 1, 1941

A S S E T S

Current assets:

Cash on hand and demand deposits in banks	-	-	-	-	-	-	-	-	\$ 875,862.68
Accounts receivable:									
Trade	-	-	-	-	-	-	-	-	\$ 574,690.61
Miscellaneous	-	-	-	-	-	-	-	-	132,734.05
									<u>707,424.66</u>
Less, Allowance for losses	-	-	-	-	-	-	-	-	137,846.14
									569,578.52
Operating advances to and receivables from agents and employees	-	-	-	-	-	-	-	-	8,892.32
Inventories at the lower of cost or market:									
Merchandise	-	-	-	-	-	-	-	-	3,278,746.56
Premiums	-	-	-	-	-	-	-	-	284,763.07
Supplies	-	-	-	-	-	-	-	-	151,865.54
Total current assets	-	-	-	-	-	-	-	-	<u>5,169,708.69</u>

Investments:

Mortgages, at costs, less \$8,201.50 allowance for losses	-	-	-	-	-	-	-	-	156,631.86
Miscellaneous, at costs, less \$12,113.63 allowance for losses	-	-	-	-	-	-	-	-	<u>1,551.17</u>
									158,183.03

Real estate at market values as at various dates in 1933, per appraisals of Scott Realty Appraisal Co., plus addition of \$7,868.14 representing the net amount at which a mortgage foreclosed during 1934 was previously carried and subsequent improvements at costs

	-	-	-	-	-	-	-	-	148,109.30
Less, Allowance for depreciation of improvements	-	-	-	-	-	-	-	-	<u>14,872.10</u>
									133,237.20

Machinery, fixtures and equipment at costs, except as to \$898,087.96 at amounts at which revalued as at December 31, 1932 by Board of Directors

	-	-	-	-	-	-	-	-	2,886,990.90
Less, Allowance for depreciation	-	-	-	-	-	-	-	-	<u>1,504,198.97</u>
									1,382,791.93

Premium merchandise advanced to customers, at cost less cost of profit-sharing credits

	-	-	-	-	-	-	-	-	672,555.90
Less, Allowance for losses	-	-	-	-	-	-	-	-	<u>153,835.32</u>
									518,720.58

Prepaid expenses, deferred charges, deposits, etc.

-	-	-	-	-	-	-	-	-	118,012.52
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-	-	-	-	-	-	-	-	-	1.00
									<u>\$7,480,654.95</u>

The Grand Union Company,
New York, N. Y.

We have examined the consolidated balance sheet of THE GRAND UNION COMPANY and its Subsidiaries as of March 1, 1941 and the accounting procedures of the companies and, without making detailed audits of the transactions, have examined or tested accounting records

In our opinion, the above consolidated balance sheet and related consolidated statements of income, surplus appropriated for dividends and subsidiaries at March 1, 1941 and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally

New York, April 17, 1941.

UNION COMPANY
 CORPORATION)
 SUBSIDIARIES
 BALANCE SHEET
 March 1, 1941

LIABILITIES

Current liabilities:

Bankers' acceptances against coffee received under trust receipts	-	-	-	-	\$	77,320.89
Accounts payable and accrued liabilities	-	-	-	-	-	1,300,020.34
Provision for federal income tax	-	-	-	-	-	216,117.38
Amounts payable upon surrender of unexchanged certificates for old preference stock, coupons representing distributions on dividend arrearage certificates and scrip for fractional shares of capital stock	-	-	-	-	-	33,737.81
Provision for special repairs to leased buildings	-	-	-	-	-	4,640.78
Total current liabilities	-	-	-	-	-	<u>1,631,837.20</u>

Employees' fidelity and other deposits	-	-	-	-	-	146,568.19
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Reserves:

For unredeemed premium tickets	-	-	-	-	-	\$	37,319.71
For real estate and investments, representing excess of selling prices over net book amounts of real estate and investments sold during 1937	-	-	-	-	-	-	
	-	-	-	-	-	31,740.75	69,060.46
	-	-	-	-	-	-	<u>1,847,465.85</u>

Note: The company is contingently liable for approximately \$63,000 of unused balances of letters of credit.

CAPITAL

Capital stock, no par value, authorized 400,000 shares, issued 222,738-12/15 shares (see notes below)	-	-	-	-	-	4,322,248.00
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Notes: The 222,738-12/15 shares shown above include 3,240 shares of capital stock represented by unexchanged certificates for an equal number of shares of old preference stock and 1,325-2/15 shares of capital stock represented by unexchanged certificates for 19,877 shares of old common stock.

No dividends may be paid on capital stock until the dividend arrearages of \$117,641.40 shown below have been paid, or declared payable.

Surplus appropriated for dividend arrearage certificates, as annexed	-	-	-	-	-	\$	117,641.40
Capital surplus, as annexed	-	-	-	-	-	497,241.95	
Earned surplus since December 8, 1939, as annexed	-	-	-	-	-	696,334.44	1,311,217.79
	-	-	-	-	-	-	<u>5,633,465.79</u>
Less, Treasury stock, 26-11/15 shares, at cost	-	-	-	-	-	276.69	5,633,189.10
	-	-	-	-	-	-	<u>\$7,480,654.95</u>

and their consolidated statements of income and surplus for the fifty-two weeks then ended, have reviewed the systems of internal control and the of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. dividend arrearage certificates, capital surplus and earned surplus, present fairly the consolidated position of The Grand Union Company and its accepted accounting principles applied on a basis consistent with that of the sixty-one weeks ended March 2, 1940.

LYBRAND, ROSS BROS. & MONTGOMERY

CONSOLIDATED STATEMENT OF INCOME
for the fifty-two weeks ended March 1, 1941

Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$35,065,463.54
Cost of sales (including depreciation of \$10,526.56)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,884,406.80
Gross profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u>9,181,056.74</u>
Selling and general expenses:																				
Store expenses, salaries of salesmen, managers and superintendents, delivery, advertising and other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$6,225,453.61
Rentals of stores	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	687,985.35
General and administrative expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	639,863.92
Allowances for doubtful accounts and premium merchandise advanced to customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,994.86
Taxes (other than federal income tax)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	330,446.02
Depreciation of retail distribution equipment, etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	330,492.73
																				<u>8,334,236.49</u>
																				846,820.25
Other deductions, including losses on retirements of fixed assets, cost of moving warehouses, etc., less miscellaneous income, interest, etc. of \$16,044.78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,696.01
Net income before federal income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u>816,124.24</u>
Federal income taxes (including \$18,882.62 applicable to prior periods)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	235,000.00
Net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u><u>\$ 581,124.24</u></u>

Notes:—

During the fifty-two weeks ended March 1, 1941 the company adopted the depreciation rates used by agents of the United States Treasury Department in their most recent examinations of the company's income tax returns. Had the rates used during the sixty-one weeks ended March 2, 1940 been continued subsequently, net income for the fifty-two weeks ended March 1, 1941 would have been reduced by the amount of \$36,000.

No provision has been made, or is believed to be required, for federal excess profits tax.

CONSOLIDATED STATEMENT OF EARNED SURPLUS
for the fifty-two weeks ended March 1, 1941

Earned surplus since December 8, 1939:

Balance, March 2, 1940	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$115,210.20
Net income for the fifty-two weeks ended March 1, 1941	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u>581,124.24</u>
Balance, March 1, 1941	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u><u>\$696,334.44</u></u>

Capital surplus, March 2, 1940	- - - - - - - - - -	\$344,340.95
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Excess of principal amount of dividend arrearage certificates and coupons representing distributions thereon exchanged for capital stock (on basis of \$10 per share of capital stock) over amount credited to capital stock account (\$1 per share)	-	-	-	-	-	-	\$98,955.00
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Excess of selling price of capital stock sold at \$10 per share under subscription warrants issued to holders of old common stock under the plan of recapitalization over amount credited to capital stock account (\$1 per share)	<u>53,946.00</u>	<u>152,901.00</u>
Capital surplus, March 1, 1941	-	<u>\$497,241.95</u>

Balance, March 2, 1940 representing dividend arrearage certificates issued or issuable (114,492 units at \$4.45)	-	-	-	-	-	-	\$509,489.40
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Dividend arrearage certificates exchanged for capital stock, plus cash payments in lieu of issuance of fractional shares	-	-	-	-	-	-	\$ 77,987.00
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Distributions at rate of \$3 per unit	-	-	-	-	313,861.00	391,848.00
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Balance, March 1, 1941 representing dividend ar-	
rrearage certificates issued or issuable (81,132	
units at \$1.45) - " " " " " "	\$117,641.40

